CONNECTICUT AIRPORT AUTHORITY
(A COMPONENT UNIT OF THE STATE OF CONNECTICUT)

FINANCIAL STATEMENTS

JUNE 30, 2014

CONNECTICUT AIRPORT AUTHORITY

CONTENTS

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Independent Auditors' Report

Ms. Mary Ellen S. Jones, Chair
Connecticut Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements and each major fund of Connecticut Airport Authority (the Authority) (a component unit of the State of Connecticut), which comprise the balance sheet as of June 30, 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014 and changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express on opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The combining statements of the General Aviation Airports Fund and the schedules of passenger facility charge expenditures and insurance coverage of Bradley International Airport are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of passenger facility charge expenditures - Bradley International Airport is presented for purposes of additional analysis as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. The schedule of insurance coverage is presented for purposes of additional analysis as required by the Bond Indenture. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining statements of the General Aviation Airports Fund and the schedule of passenger facility charge expenditures - Bradley International Airport have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of the General Aviation Airports Fund and schedule of passenger facility charge expenditures - Bradley International Airport are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of insurance coverage - Bradley International Airport has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Connecticut Airport Authority's (the Authority) financial performance provides an overview for the year ended June 30, 2014. Please read it in conjunction with the Authority's financial statements that follow this section. The MD&A is intended to provide meaningful information to the reader for the current year, thereby enhancing the reader's understanding of the Authority's financial position and the results of its operations.

As discussed in Note 1 to the financial statements, the Authority was established on July 1, 2011 but had no significant transactions until July 1, 2013, at which time the assets and liabilities of Bradley International Airport (Bradley) and the State of Connecticut's general aviation airports were contributed to the Authority. Bradley International Airport was previously reported as a stand-alone enterprise fund, consistent with the Authority. Therefore, the financial performance of the Bradley International Airport fund of the Authority can be compared with Bradley's prior year stand-alone financial statements. However, the general aviation airports were previously accounted as governmental funds and were not reported in stand-alone financial statements whereas now the general aviation airports are their own enterprise fund. Therefore, no comparison of the general aviation airport fund can be made to prior years.

Enterprise Fund Financial Statements

An enterprise fund is used to present governmental activities where a fee is charged to external customers for goods that are sold or services that are rendered. Usually these activities are financed by debt that is secured solely by a pledge of the operating revenues of that activity.

The Airport's financial statements consist of a Balance Sheet, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. The financial statements utilize the economic resources measurement focus and the accrual basis of accounting, thus providing the foundation for generally accepted accounting principles that are used in private-sector business reporting. This means that all assets and liabilities associated with the operation of the Authority are included on the balance sheet, and that revenues and expenses are recognized when earned and incurred, respectively, on the statement of revenues, expenses and changes in net position.

Net position is presented in three components (i) net investment in capital assets, (ii) restricted, and (iii) unrestricted. Net position categorized as net investment in capital assets consists of all significant capital assets owned by the Authority, net of accumulated depreciation, and reduced by any outstanding balances of bonds or other debt related to the acquisition, construction or improvement of those assets. Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations that have an initial useful life beyond one year. Capital assets are depreciated over their useful lives and periodic depreciation expense is reported in the statement of revenues, expenses and changes in net position. Net position is reported as restricted when constraints are placed on those assets by creditors, grantors, laws or imposed by law through constitutional provisions or enabling legislation. The restrictions in place at Bradley originate from indentures of trust associated with the sale of its airport revenue bonds, and regulations associated with its use of Passenger Facility Charges (PFCs).

The Statement of Revenues, Expenses and Changes in Net Position reports the operating revenues and expenses and nonoperating revenue and expenses of the Authority for the fiscal year with the difference - the net income or loss - being combined with any capital contributions to determine the change in net position. That change, combined with the prior year-end net asset total, reconciles to the net asset total at the end of the current fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash balance at the end of the current fiscal year.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is important to understanding the information included in the financial statements

Supplemental Information

Supplemental information includes combining financial statements of the General Aviation Airports Fund, a Schedule of Passenger Facility Charge Expenditures and a Schedule of Insurance Coverage, which are required by the Federal Aviation Administration and Bond indentures respectively.

Required Additional Reports

Required additional reports include an Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* and an Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program and on Internal Control Over Compliance.

FINANCIAL HIGHLIGHTS - BRADLEY INTERNATIONAL AIRPORT FUND

Unless otherwise stated, all values presented in the following MD&A are in thousands with the exception of various per passenger ratios presented

In FY 2014, Bradley financially outperformed budget expectations. Compared to FY 2013, total operating revenue increased 7.3% to $62.3 million while total operating expenses before depreciation increased 9.3% to $47.7 million. Income before depreciation increased 1.2% to $14.7 million. Net nonoperating revenues decreased 40.9% to $6.1 million while the net assets for Bradley decreased by $6.2 million. Total operating revenue was 6.7% above budget while operating and maintenance expenses excluding depreciation were 3.5% below budget. Bradley generated debt service coverage of 261.2%, which is well above the 120.0% required by bond indenture. At year end, net position totaled $309.0 million, a 2.0% decrease. Total assets decreased by $13.8 million or 2.8% and total liabilities decreased by $7.6 million or 4.4%.

An increase in passenger traffic was realized in FY 2014 following two straight years of decline in passenger demand brought about by economic recession, rising jet fuel prices and declining airline capacity. Bradley experienced a 2.2% reduction in enplaned passenger traffic in FY 2012 followed by another reduction of 3.2% in FY 2013. However, for FY 2014 enplanements have increased 7.2% compared to FY 2013 and 3.8% increase from FY 2012. These positive trends in passenger activity are a result of the Authority's efforts to grow new Airline routes as well as from an overall improvement in the economy.

Net Position

The net position of Bradley is summarized in Table 1. Net position is a measurement of the financial condition of Bradley at one point in time. As indicated in Table 1, Bradley net position decreased by $6,201 in fiscal year 2014. This is the result of a decrease in total assets of $13,818 and a reduction in total liabilities of $7,617. Included in Table 1 pursuant to GASB reporting guidelines are the fair values at June 30, 2014 of Bradley's interest rate swap agreements. These swap agreements have been determined to be effective hedges pursuant to the GASB guidelines. See notes 1 and 6 in the Notes of Financial Statements.

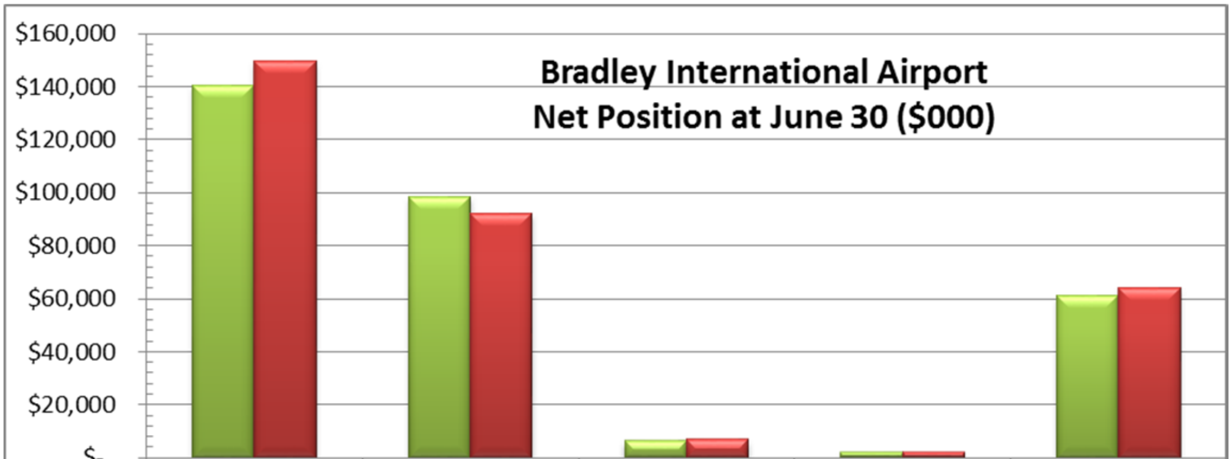
Table 1 also indicates that Bradley's assets exceeded its liabilities by $308,965 as of June 30, 2014. These net assets include $140,623 invested in capital assets net of related debt (a decrease of 6.0%), assets restricted for PFC and bond indenture purposes of $107,243 (an increase of 5.8%) and unrestricted assets of $61,099 (a decrease of 4.8%).

As of June 30, 2014, total revenue bonds payable less current maturities of $129,415 equate to $45.50 per enplaned passenger based on fiscal year 2014 enplaned passengers of 2,844, a 9.5% decrease from FY 2013 bonds payable of $50.26 per enplaned passenger.

TABLE 1
BALANCE SHEET
JUNE 30, 2014 AND 2013
(In thousands)

	2014	2013	2014 - 2013 Change ($)	2014 - 2013 Change (%)
ASSETS				
Current and other assets	$ 200,765	$ 199,153	$ 1,612	0.8%
Net capital assets	275,325	290,755	(15,430)	-5.3%
Total Assets	$ 476,090	$ 489,908	$ (13,818)	-2.8%
LIABILITIES				
Long-term debt outstanding	129,415	133,355	(3,940)	-3.0%
Other liabilites	18,064	20,933	(2,869)	-13.7%
Interest Rate Swap	19,646	20,454	(808)	-4.0%
Total liabilities	167,125	174,742	(7,617)	-4.4%
NET POSITION				
Net investments in Capital Assets	140,623	149,648	(9,025)	-6.0%
Restricted	107,243	101,350	5,893	5.8%
Unrestricted	61,099	64,168	(3,069)	-4.8%
Total Net Position	$ 308,965	$ 315,166	(6,201)	-2.0%
Total Liabilities and Net Position	$ 476,090	$ 489,908	$ (13,818)	-2.8%

	2014	2013	2014 - 2013 Change ($)	2014 - 2013 Change (%)
Net Position at June 30				
Net Investment in Capital Assets	$ 140,623	$ 149,648	$ (9,025)	-6.0%
Restricted for Capital Projects	98,681	92,244	6,437	7.0%
Restricted for Debt Service	6,449	6,994	(545)	-7.8%
Restricted for Bond Indenture	2,113	2,112	1	0.0%
Unrestricted	61,099	64,168	(3,069)	-4.8%
Total Net Position	$ 308,965	$ 315,166	$ (6,201)	-2.0%



	Net Investment in Capital Assets	Restricted for Capital Projects	Restricted for Debt Service	Restricted for Bond Indenture	Unrestricted
2014	$140,623	98,681	6,449	2,113	61,099
2013	$149,648	92,244	6,994	2,112	64,168

Changes in Net Position

As stated in Note 1 the Authority has implemented GASB Statement No. 65. This statement provides for reclassification of some assets and liabilities as deferred outflows or inflows, and requires certain items previously deferred to be expensed. In essence almost all costs formally deferred are now expensed as they are not considered to be a deferred outflow. Keeping this in mind, the decrease in net position shown on Table 1 was generated from the change in net position shown on Table 2, Changes in Net Position for the Year Ended June 30, 2014. Changes in net position represent the results of operations of Bradley. The change in net position for FY 2014 of $308,965 compared to FY 2013 of $14,337 is due to the transition of the Bradley Airport Enterprise Fund from the Department of Transportation to the Connecticut Airport Authority on July 1, 2013. $299,940 of the $308,965 is reflective of the contribution of the Enterprise Fund by the State to the Authority. Overall total net assets decreased by $6,201 or 2.0%.

The decrease in operating loss is attributed to an increase in operating revenue partially netted down by increases in operating expenses related to salaries and related expenses along with contractual services and other operating expenses. The decrease in depreciation and amortization is primarily related to the implementation of GASB Statement No. 65, which results in major studies no longer being amortized but expensed. This also affected the net nonoperating revenue. The net nonoperating revenue (expense) reflects an increase of $4,966 in nonoperating expenses, which is attributable to the implementation of GASB 65. Capital project costs for planning and studies that were previously amortized are now expensed.

TABLE 2
CHANGES IN NET POSTION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(In Thousands)

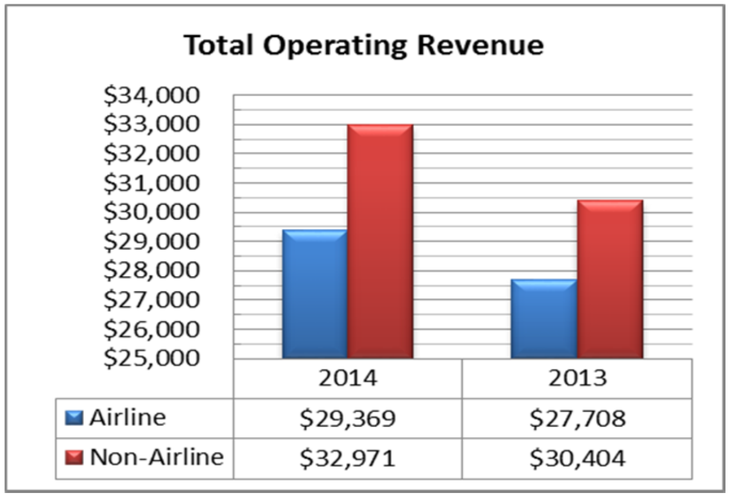
	2014	2013	2014 - 2013 Change ($)	2014 - 2013 Change (%)
OPERATING REVENUES				
Landing fees	$ 15,759	$ 13,898	$ 1,861	13.4%
Airline terminal rent	9,938	10,301	(363)	-3.5%
Apron and remote aircraft parking	3,672	3,509	163	4.6%
Auto parking	10,703	10,483	220	2.1%
Rental cars	8,695	7,627	1,068	14.0%
Terminal concessions	3,946	3,464	482	13.9%
Other concessions and operating revenue	5,575	4,982	593	11.9%
Land rent	4,052	3,848	204	5.3%
Total operating revenues	62,340	58,112	4,228	7.3%
OPERATING EXPENSES				
Salaries and related expenses	20,221	17,870	2,351	13.2%
Contractual services	19,916	18,415	1,501	8.2%
Energy and utilities	5,554	5,760	(206)	-3.6%
Other operating expenses	1,969	1,559	410	26.3%
Operating expenses before depreciation	47,660	43,604	4,056	9.3%
Operating income before depreciation	14,680	14,508	172	1.2%
Depreciation and amortization	16,427	17,671	(1,244)	-7.0%
Operating loss	(1,747)	(3,163)	1,416	-44.8%
NONOPERATING REVENUES(EXPENSES)				
Car rental facility charge revenue	5,191	5,363	(172)	-3.2%
Passenger facility charge revenue	11,738	10,836	902	8.3%
Investment income	103	270	(167)	-61.9%
Non operating expenses	(4,966)	-	(4,966)	100.0%
Revenue bond interest expense	(5,930)	(6,078)	148	-2.4%
Net nonoperating revenues	6,136	10,391	(4,255)	-40.9%
Income before capital contributions	4,389	7,228	(2,839)	-39.3%
CAPITAL CONTRIBUTIONS	304,576	7,109	297,467	4184.4%
Change in net assets	308,965	14,337	294,628	2055.0%
Total net assets, beginning of year	-	300,829	(300,829)	-100.0%
Total net assets, end of year	$ 308,965	$ 315,166	$ (6,201)	-2.0%

BRADLEY INCOME

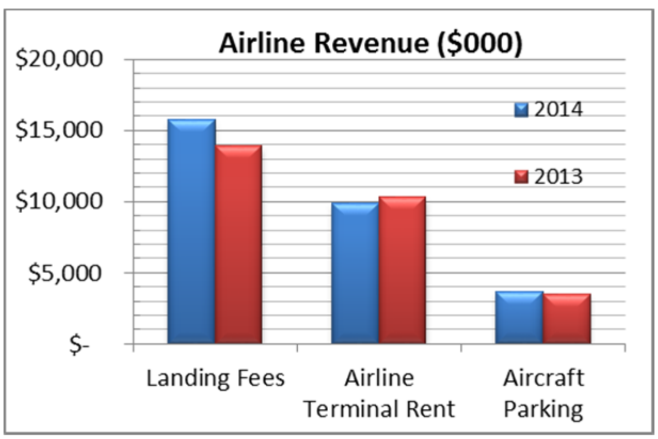
As indicated on Table 2, Bradley generated operating income before depreciation of $14,680 and increased its net position by $6,201 in fiscal year 2014. The operating and non-operating revenues and expenditures associated with this income are addressed below.

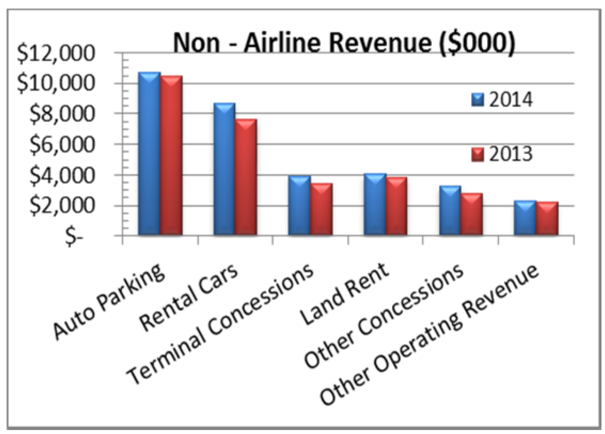
Operating Revenues

Operating revenues for fiscal year 2014 totaled $62,340 an increase of $4,228 or 7.3% from fiscal year 2013. Operating revenues are segregated between airline and non-airline sources. Airline revenues were $29,369 or 47.1% of total operating revenue, and non-airline revenues were $32,971 or 52.9% of total operating revenue as shown at right and in greater detail below.



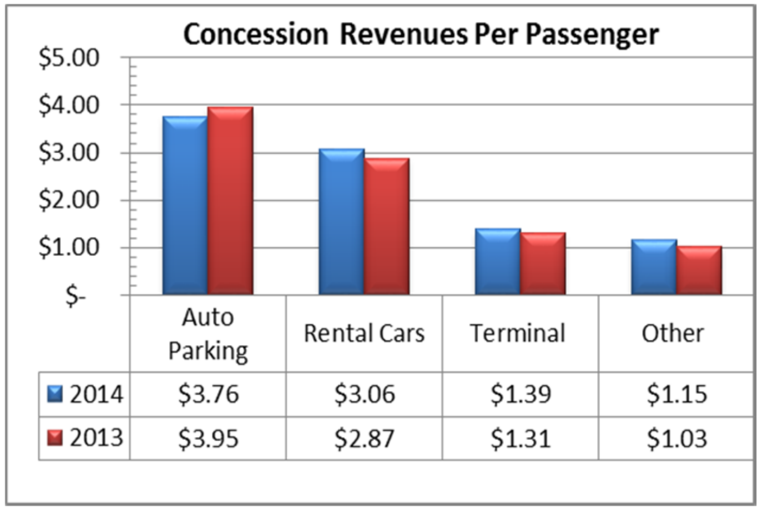
Airline revenues increased by $1,661 or 6.0% from FY 2013 to FY 2014. The airlines pay rates and charges based on budgeted operating expenditures and debt service allocated to airline cost centers including the landing area, terminal building and aircraft parking aprons. The FY 2014 operating expense budget of $49,372 reflected a 9.5% increase in operating expenses over the FY 2013 operating budget, which was appropriately reflected in budgeted airline rates and charges. There were also credits applied to the airline cost centers in the FY 2014 budget, made to compensate the airlines for prior budget to actual performance, which totaled $1,641. In addition to these annual adjustments, the Authority provided a one-time credit to airline cost centers in the amount of $3,538 intended to maintain competitive airline rates and charges at the Airport.





Deducting cargo airline landing fees of $3,049 from total airline revenue of $29,369 results in passenger airline revenue of $26,320. This equates to a fiscal year 2014 Cost per Enplaned Passenger (CPE) of $9.25 based on fiscal year 2014 enplaned passengers of 2,844, a 1.4% decrease from the FY 2013 CPE of $9.38.

Total non-airline revenues increased by $2,566 or 8.4% from FY 2014. Non-airline revenues are made up of the various concessions operating at the Airport, land rent and other operating revenue. Concession operations include auto parking, rental cars, terminal concessions and other concessions, which combine for total revenue of $26,614. The largest source of concession revenue is vehicle parking operations, which totaled $10,703. Terminal concessions include food and beverage, retail, advertising and miscellaneous services provided in the terminal. Other concessions include in-flight food catering, the Sheraton Hotel located in the terminal, ground transportation services and others.



Total concession revenue of $26,614 equates to $9.36 per enplaned passenger based on fiscal year 2014 enplaned passengers of $2,844, a 2.1% increase from FY 2013 concession revenue per enplaned passenger of $9.17. The division of revenues per passenger among the various concessions is shown above.

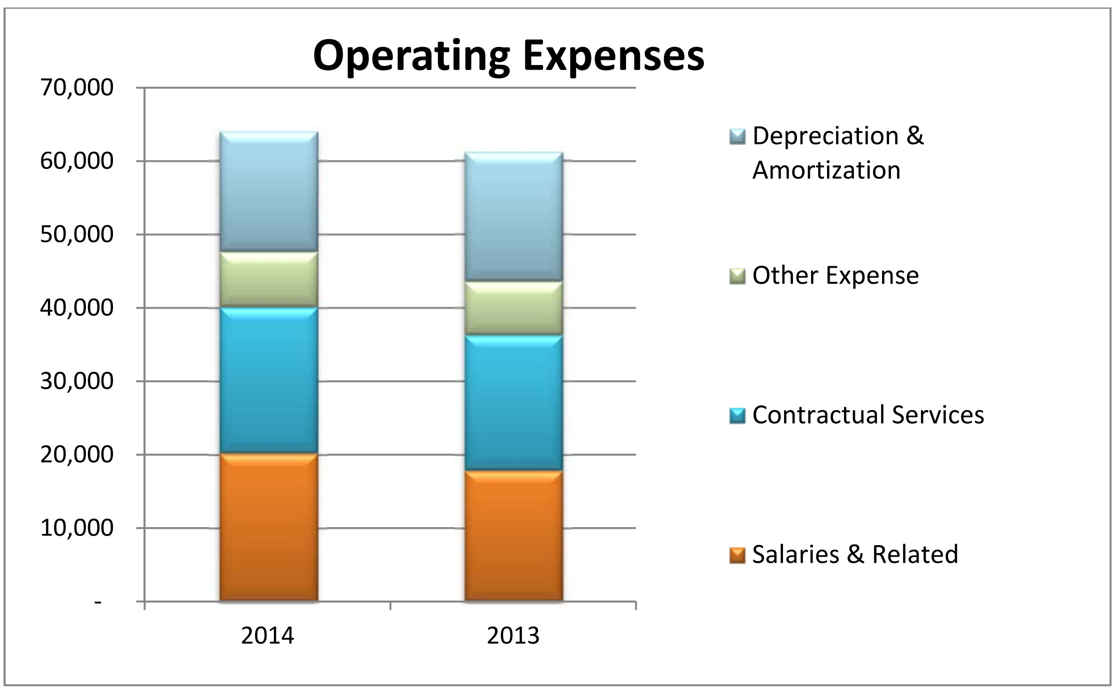
Operating Expenses

Operating expenses in fiscal year 2014 totaled $64,086, an increase of $2,812 or 4.6% from fiscal year 2013. Operating expenses include salaries and related expenses, contractual services, energy and utilities, other operating expenses and depreciation. The distribution and comparison of fiscal year 2013 and 2014 operating expenses is shown in Table 3.

As indicated on Table 3, increases in salaries and fringe benefits, along with various contractual services, were offset by a sizable decrease in depreciation and a modest decrease in energy and utilities. The increase in salaries was due to the hiring of personnel for positions that were vacant in FY13 as well as annual increases in existing salary rates. The increase in fringe benefit was mostly due to the increase in the state retirement portion of the fringe benefit rate applied to both existing salaries and increases in those salaries. Increase in contractual services was associated with an increase in security services along with an increase in maintenance contracts and other contracts. Energy and utilities declined with moderating contracted prices for natural gas that powers Bradley’s energy center along with the less than anticipated use of the horizontal well. Depreciation and amortization decreased due to the implementation of GASB 65.

TABLE 3
OPERATING EXPENSES
JUNE 30, 2014 and 2013
(In thousands)

			Change 2014 - 2013	
Salaries & Related	**2014**	**2013**	**Change ($)**	**Change (%)**
Salaries	$ 9,078	$ 8,667	$ 411	4.7%
Overtime	1,108	925	183	19.8%
Other Payroll	554	346	208	60.1%
Fringe Benefit	9,048	7,499	1,549	20.7%
Indir. Cost Alloc.	433	433	-	0.0%
Salaries & Related	20,221	17,870	2,351	13.2%
Contractual				
Payment In Lieu of Tax	4,679	4,678	1	0.0%
Security Services	5,861	5,572	289	5.2%
Maintenance Contracts	4,519	3,852	667	17.3%
Other Contracts	4,857	4,313	544	12.6%
Contractual Services	19,916	18,415	1,501	8.2%
Other Expense				
Energy/Utilities	5,554	5,760	(206)	-3.6%
Commodities	1,969	1,559	410	26.3%
Other Expense	7,523	7,319	204	2.8%
Expenses Before Depreciation	47,660	43,604	4,056	9.3%
Depreciation & Amortization	16,426	17,671	(1,245)	-7.0%
Total Operating Expenses	$ 64,086	$ 61,275	$ 2,811	4.6%



Net Nonoperating Revenue (Expense)

Nonoperating revenues and (expenses) include Bradley's PFCs, customer facility charges (CFCs), investment income, revenue bond interest expense and other nonoperating expenses. Other nonoperating expenses are predominantly reflective of capital improvement project costs that must be expensed versus capitalized as an asset. Bradley is presently authorized by the FAA to assess a PFC of $4.50 per enplaned passenger. The revenue associated with this charge is restricted for approved capital projects, and currently supports debt service incurred for eligible components of the terminal expansion and improvement program as well as certain "pay as you go" projects. In fiscal year 2014, Bradley collected total PFCs (excluding PFC interest) of $11,644, an increase of 7.5% from FY 2013. This increase is reflective of the increase in passenger traffic at Bradley. Bradley is also presently authorized by contract with the rental car companies to assess a CFC of $3.50 per rental car transaction day. The revenue associated with this charge is recognized according to criteria established by bond indenture and subsequently transferred to a project account dedicated to design, engineering and construction of a consolidated rental car facility at Bradley. CFC collections commenced December 2009 and revenues for fiscal year 2014 totaled $5,165 (excluding interest), a decrease of 3.7%. Investment income from all accounts totaled $224, a 17.0% decrease from FY 2013 investment income of $270. The decrease in investment income is reflective of suppressed market interest rates. Investments and invested balances are addressed in Note 2 to the financial statements. Investment earnings on certain accounts are restricted for the purposes of the account as discussed in the notes to financial statements. Revenue bond interest expense for FY 2014 totaled $5,930 a decrease of 2.4%. Nonoperating expense shows a 100% increase due to the implementation of GASB 65 where certain project costs are no longer amortized but expensed as incurred. Bradley had $4,966 of nonoperating expense. The addition of nonoperating expense along with the changes in PFC revenue, CFC revenue, investment income and bond interest expense resulted in the $4,254 decrease in total net nonoperating revenue as shown on Table 2. Net nonoperating revenue of $6,136 and the operating loss of $1,747 combined in FY 2014 for income before capital contributions of $4,389.

CAPITAL CONTRIBUTIONS

Total capital contributions in FY 2014 were $304,575, an increase of $297,466 from FY 2013 capital contributions of $7,109.

The primary source of FY 2014 contributed capital is the contribution of the Bradley Enterprise Fund from the State to the Authority due to the transition from the Department of Transportation. The capital contributed by the State is $299,940. The remaining contributed capital of $4,635 represents the Federal Aviation Administration's Airport Improvement Program. The FAA grants are available for eligible, approved projects within the funding limitations of the program, which requires certain matching contributions to be made by the Airport. Additional contributed capital was made available in fiscal year 2014 through the U.S. Department of Homeland Security for installation of security equipment. Projects and capital contributions are summarized below.

Capital Contributions ($000)	2014	2013	2014 - 2013 Change ($)	Change (%)
Terminal Demolition / Redevelopment	$ 17	$ 166	$ (149)	-89.8%
Planning Studies	-	120	(120)	-100.0%
Sound Insulation Program	3,256	3,266	(10)	-0.3%
Runway Projects	-	9	(9)	n/a
Taxiways	1,086	3,100	(2,014)	n/a
New Building	-	350	(350)	n/a
Security Equipment	276	98	178	181.6%
Contribution From State	299,940	-	299,940	n/a
Total	$ 304,575	$ 7,109	$ 297,466	4184.4%

BUDGET TO ACTUAL PERFORMANCE

Bradley's annual operating budget is developed pursuant to procedures established in applicable State regulations and the Short Term Lease and Operating Agreement between the State and the signatory airlines serving Bradley. These procedures provide for preparation of the budget, submission to and approval of the budget by the Authority's Board of Directors and the airlines within a prescribed period prior to the beginning of each fiscal year, and for dispute resolution. The operating budget includes airline and non-airline revenues, passenger facility charges, operating and maintenance expenses, expenditure allocation to Bradley cost centers including the landing, apron, terminal and other cost centers, and development of the rates and charges that will be paid by the airlines during the ensuing fiscal year. As part of the rate development process, prior budget to actual cost allocations are analyzed and appropriate adjustments are made. Budget to actual performance for FY 2014 is shown in Table 4.

Airline revenues were 5.5% greater than budget. A positive variance was experienced in all categories of Airline revenues. Non-airline revenues were 7.8% greater than budget. As with airline revenues, a positive variance was experienced in all categories of non-airline revenues with the exception of auto parking, which was equal to budget. Overall, total operating revenue was 6.7% greater than budget. PFCs and related interest were 10.0% greater than budget due to higher than forecasted passenger demand. Total operating expenses before depreciation were 3.3% under budget with surpluses realized in all categories of expense except other payroll, fringe benefits, security and commodities.

Table 4
FY 2014 Budget to Actual Performance ($000)

	Budget	Actual	Variance Greater (Less) Than Budget ($000)	Percent
Airline Revenue	$ 27,829	$ 29,369	$ 1,540	5.5%
Non-Airline Revenue	30,590	32,971	2,381	7.8%
Total Operating Revenue	**58,419**	**62,340**	**3,921**	**6.7%**
Passenger Facility Charges & PFC Interest	10,672	11,738	1,066	10.0%
Car Rental Facility Charge Revenue & CFC Interest	-	5,191	5,191	n/a
Operating and Maintenance Expenses	**49,286**	**47,663**	**(1,623)**	**-3.3%**
Doubtful Accounts	-	(3)	(3)	n/a
Total Operating Expenses Before Depreciation	**$ 49,286**	**$ 47,660**	**$ (1,626)**	**-3.3%**

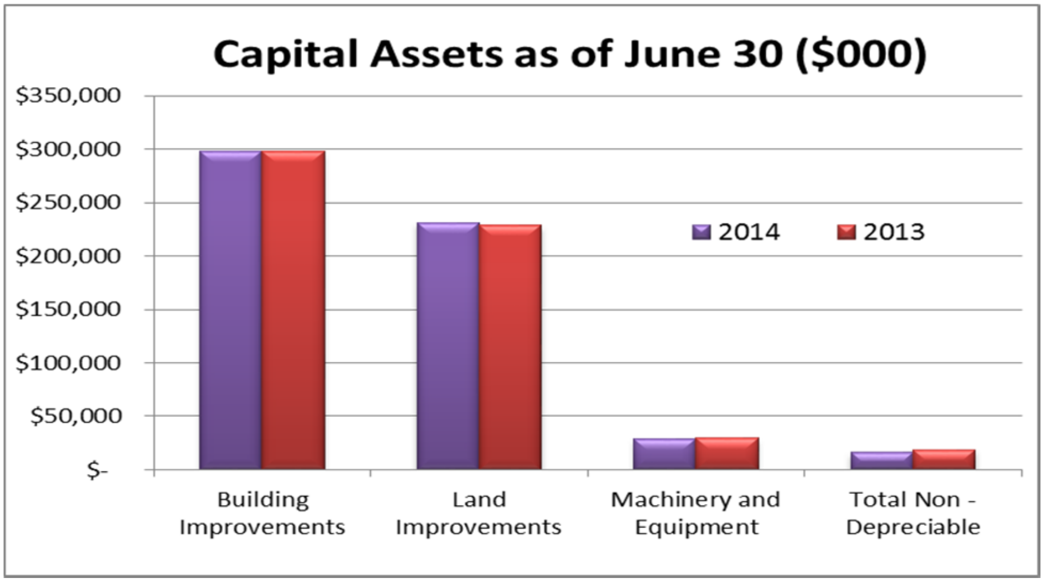
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Bradley's capital assets increased by $33 for the year ended June 30, 2014. This reflects the changes in building improvements, land improvements, machinery and equipment and construction in progress summarized in Table 5 below. The additions to building improvements were focused on Bradley's terminal improvement program. Land improvements increased primarily due to the rehabilitation and reconstruction of Taxiway C North. Machinery and equipment increases were offset by the write off of the old security access system that was replaced with the construction of the unified terminal. The decrease in construction in progress reflects the completion of Taxiway C North noted above and the completion of the noise study which was expensed in FY 2014 pursuant to GASB 65.

Table 5
Capital Assets as of June 30 ($000)

	2014	2013	2014 - 2013 Additions
Building Improvements	$ 298,397	$ 297,803	$ 594
Land Improvements	231,166	228,645	2,521
Machinery and Equipment	29,245	29,445	(200)
Total Depreciable	**558,808**	**555,893**	**2,915**
Land	2,657	2,657	-
Construction in Progress	13,332	16,214	(2,882)
Total Non - Depreciable	**15,989**	**18,871**	**(2,882)**
Total	**$574,797**	**$574,764**	**$ 33**



Debt

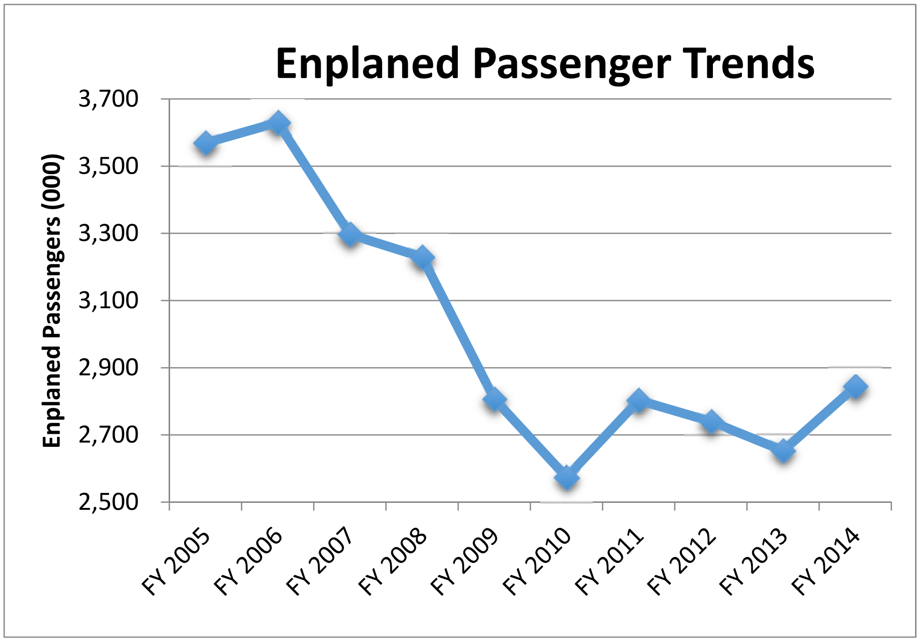
At year end, Bradley had $135,600 in bonds outstanding versus $141,555 last year - a decrease of $5,955 or 4.2%. Bradley had two outstanding series of bonds at June 30, 2014. These include the Series 2011 A and Series 2011 B issued to refund the bonds previously issued in support of Bradley's terminal expansion and improvement program. Principal outstanding on these bonds as of June 30 is shown below:

Principal Outstanding	2014	2013	2014-2013 Change
Series 2011A	$ 81,360	$ 84,935	$ 3,575
Series 2011B	54,240	56,620	2,380
Total Principal Outstanding*	$135,600	$141,555	$ 5,955

* Less current maturities of $6,185 results in revenue bonds payable (Long Term Portion) of $129,415 as of June 30, 2014. For a more detailed description of long-term obligations see Note 5 in the accompanying financial statements.

ECONOMIC FACTORS AND OUTLOOK

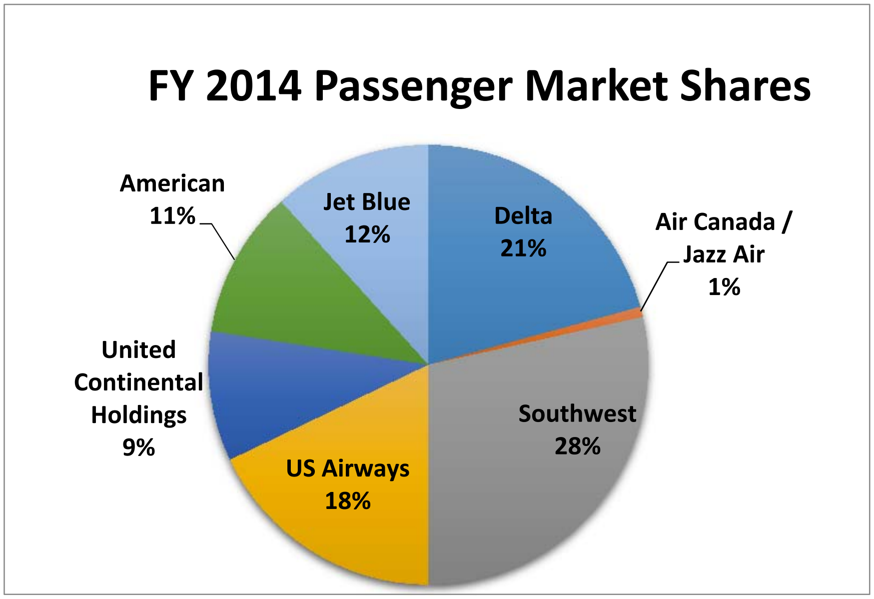
The financial health and stability of the airline industry nationally, regionally and at Bradley is the most significant economic factor with the potential to adversely affect Bradley. The industry has been challenged for years by economic recession, increased costs, extremely narrow margins and lower traffic resulting in multiple airline bankruptcies, consolidations and reorganizations, as well as deep cuts to air service capacity. These factors, a strong air service area and competitive New England airport environment, have combined to produce periods of declining and rebounding enplaned passenger traffic at Bradley. However, Bradley's strong airline cost recovery structure and its non-airline revenue structure have provided sound financial performance throughout this trend.



The airline mergers and consolidations undertaken over the last several years have affected the use and occupancy of terminal facilities at Bradley. For example, Delta's acquisition of Northwest Airlines ultimately led to the vacating of Northwest Airline's facilities at Bradley. The merger of United and Continental airlines ultimately resulted in the consolidation of two leaseholds at Bradley into one. Most recently in FY 2014, Bradley saw the merger of American Airline and US Airways. Bradley has not experienced any negative impacts to air service due to this merger but the potential exists for a reduction in leased terminal space in the future.

Management is responding to enplaned passenger trends and the impact of airline mergers and consolidations with continuance and strengthening of the air service incentive program discussed later in this section.

In FY 2014, Bradley enplaned 2.844 million passengers, a 7.2% increase from FY 2013. The 7.2% increase from FY 2013 to FY 2014 is the product of the Authority's successful efforts to develop new airline routes as well as a rebounding economy. In FY 2014, almost all carriers had increases in passenger traffic with the exception of United Airlines. In FY 2014 the merger of American Airlines and US Airways was completed making the consolidated entity the largest carrier at Bradley with 28.8% of the market share. Southwest Airlines had a slight increase in passenger count for FY 2014 continuing their trend of increasing their market share to 28.5% and have now become the second largest carrier at Bradley with 28.5% of the market share given the American and US Airways merger. JetBlue Airways continues to increase their market share from 10% in FY 2013 to 11.7% in FY 2014. Delta Airlines, is now the third largest carrier as its market share continued to drop from 21.8% in FY 2013 to 20.8% in FY 2014. United's market share dropped from 11.7% in FY 2013 to 9.6% in FY 2014.



	Enplaned Passengers				
Carrier	**FY 2014**	**FY 2013**	**FY 2014 Growth (Decline)**	**% of Total FY 2014 Growth**	**Carrier Year over Year Growth**
Delta	590,316	577,167	13,149	6.9%	2.3%
Air Canada / Jazz Air	21,295	19,954	1,341	0.7%	6.7%
Southwest	810,162	725,098	85,064	44.5%	11.7%
US Airways	509,207	498,355	10,852	5.7%	2.2%
United Continental Holdings	271,730	307,111	(35,381)	-18.5%	-11.5%
American	309,376	259,922	49,454	25.9%	19.0%
Jet Blue	332,144	265,635	66,509	34.8%	25.0%
Total	2,844,230	2,653,242	190,988	100.0%	7.2%

These market shares reflect the activity of Bradley's major (signatory) air carriers combined with the enplaned passengers of their affiliated or contracted regional commuter / express operators that have been carrying an increasing portion of the major carrier's traffic. The market shares have also been grouped to reflect the recent merger of United and Continental. As of June 2014, American, United / Continental, Delta, Southwest, US Airways, Air Canada, Jet Blue and 25 additional regional commuter / express operators served Bradley. Bradley continues to offer a diverse mix of air carriers. Enplaned passenger traffic by carrier and market shares for FY 2013 and FY 2014 are shown below and in Table 6.

Table 6
Bradley International Airport
Passenger Market Share Trends

	2014 Enplaned Passengers			2013 Enplaned Passengers		
Carrier	**Mainline**	**Regional / Express Operations**	**Total**	**Mainline**	**Regional / Express Operations**	**Total**
Delta	446,241	144,075	**590,316**	399,582	177,585	**577,167**
Southwest	757,040	53,122	**810,162**	725,098	-	**725,098**
US Airways	256,703	252,504	**509,207**	260,472	237,883	**498,355**
United/Continental	107,136	164,594	**271,730**	101,522	205,589	**307,111**
American	231,607	77,769	**309,376**	191,693	68,229	**259,922**
Air Canada / Jazz	2,416	18,879	**21,295**	3,630	16,324	**19,954**
Jet Blue	332,144	-	**332,144**	265,635	-	**265,635**
Total	2,133,287	710,943	**2,844,230**	1,947,632	705,610	**2,653,242**

	2014 Market Shares			2013 Market Shares		
Carrier	**Mainline**	**Regional / Express Operations**	**Total**	**Mainline**	**Regional / Express Operations**	**Total**
Delta	15.7%	5.1%	**20.8%**	15.1%	6.7%	**21.8%**
Southwest	26.6%	1.9%	**28.5%**	27.3%	0.0%	**27.3%**
US Airways	9.0%	8.9%	**17.9%**	9.8%	9.0%	**18.8%**
United/Continental	3.8%	5.8%	**9.6%**	3.8%	7.7%	**11.6%**
American	8.1%	2.7%	**10.9%**	7.2%	2.6%	**9.8%**
Air Canada / Jazz	0.1%	0.7%	**0.7%**	0.1%	0.6%	**0.8%**
Jet Blue	11.7%	0.0%	**11.7%**	10.0%	0.0%	**10.0%**
Total	75.0%	25.0%	**100.0%**	73.4%	26.6%	**100.0%**

The Authority has worked hard with the carriers to attract additional flights in order to increase passenger traffic. Management will continue to work with the airlines and strengthened incentives in order to support the recapture of lost traffic and continue to grow the number of enplanements. Under the current program, open for the period July 1, 2014 through June 30, 2015, Bradley offers fixed rent discounts for the lease of presently vacant terminal facilities, landing fee discounts and cooperative air service marketing assistance to new entrant and incumbent air carriers establishing nonstop scheduled service, or restoring previous reductions to air service, to targeted domestic and international destinations. Fixed rent and landing fee discounts vary depending on the level of service offered. Marketing assistance available under the program provides that Bradley will fund concept, development and placement of advertising in local and destination point media announcing and supporting ongoing use of the flights eligible under the promotion. The level of assistance available varies and is dependent upon the routes served.

Bradley management will continue to monitor the airline industry, economic and regional market trends and the relevant potential impacts on Bradley traffic and financial performance with a view toward identifying and implementing appropriate response measures.

FINANCIAL HIGHLIGHTS - GENERAL AVIATION ENTERPRISE FUND

The General Aviation Airports Enterprise Fund was established by the enactment of Public Act 11-84 when the Connecticut Airport Authority was founded. The General Aviation Airport Enterprise Fund consists of five general aviation airports located within the State of Connecticut. They include the Groton/New London Airport, the Hartford/Brainard Airport, the Waterbury/Oxford Airport, the Danielson Airport and the Windham Airport. These airports are owned, operated and managed by the Connecticut Airport Authority.

On July 1, 2013 these airports were legally transferred to the Connecticut Airport Authority from the Department of Transportation. Prior to the transition, the airports were owned and operated by the Department of Transportation and the accounting for these five airports were based on the modified cash basis of governmental accounting. With this transition the airports became an Enterprise Fund. The assets and liabilities were transferred at book value and the accounting for these airports was changed to an accrual basis of accounting with separate and distinct financial statements. Fiscal year 2014 is the first year of full accrual based financial statements that will be completed for this Enterprise Fund.

Since this is the first year that financial statements are completed, there are no comparables to FY 2013. The statement of net position for the General Aviation Airports shows total assets of $79,352. Total assets are broken down by current assets of $4,687 and noncurrent assets $74,665. Current liabilities equal $2,519 and there are no long term liabilities at this time. The total net position for the General Aviation Airports Enterprise Fund is $76,833, of which $74,665 represents net investment in capital assets. See Table 7 below.

TABLE 7
BALANCE SHEET - GENERAL AVIATION AIRPORTS
JUNE 30, 2014
(in thousands)

		2014
ASSETS		
Current and other assets	$	4,687
Net capital assets		74,665
Total Assets		79,352
LIABILITIES		
Due to State		1,675
Other liabilites		844
Total liabilities		2,519
NET POSITION		
Net Investments in capital assets		74,665
Restricted		-
Unrestricted		2,168
Total net position	$	76,833
Total Liabilities and Net Position	$	79,352

Net Position

The General Aviation Airport Enterprise Fund receives operating subsidy from the State of Connecticut through the Department of Transportation. Requests are made during the State's biennial budget process and the Department of Transportation submits the request on behalf of the Connecticut Airport Authority. Once funding is approved, it is appropriated to the Department of Transportation who then makes it available for the Enterprise Fund. Changes in Net Position - Table 8 displays the different categories used to calculate the change in net position. Since this is the first year of the General Aviation Enterprise Fund's financial statements, net position at the beginning of the year is zero. Operating revenues total $2,322. Airline revenue was $246 and non-airline revenue was $2,076. The majority of the non-airline revenue is attributable to land rent and other operating revenue (the majority of which comes from fixed based operators). Operating expenses totaled $5,373 before depreciation. Operating expenses include salaries and related expenses, contractual services, energy and utilities, and other operating expenses. Depreciation expense is $3,987 and non-operating revenue(expense) is $4,411. The non-operating revenue includes the State's operating subsidy of $5,145 offset by nonoperating expenses of $736 which are predominately made up of various capital projects (planning studies) that were expensed rather than capitalized due to the implementation of GASB Statement 65. Income (loss) before capital contributions is ($2,627). Capital contributions of $79,461 consist of the transfer of assets from the Department of Transportation ($71,244), funding received from the State supported by State Bonds to fund capital improvements ($2M), and funding from the Federal Aviation Administration for capital infrastructure at each of the General Aviation Airports ($6M). Details are broken out by Airport on Table 8.

TABLE 8
CHANGES IN NET POSITION - GENERAL AVIATION AIRPORTS
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	Total 2014	GA Airport Administration	Groton	Brainard	Danielson	Oxford	Windham
OPERATING REVENUES							
Landing fees	$ 41	$ -	$ -	$ -	$ -	$ 41	$ -
Airline terminal rent	6	-	6	-	-	-	-
Apron and remote aircraft parking	199	-	23	57	12	76	31
Rental cars	85		48	-	-	37	-
Other concessions and operating revenue	909	8	184	57	120	530	10
Land rent	1,082	-	304	362	30	338	48
Total operating revenues	2,322	8	565	476	162	1,022	89
OPERATING EXPENSES							
Salaries and related expenses	3,755	1,518	702	823	-	711	1
Contractual services	901	527	65	14	99	36	160
Energy and utilities	296	-	145	50	14	62	25
Other operating expenses	422	-	138	55	123	57	49
Operating expenses before depreciation	5,374	2,045	1,050	942	236	866	235
Operating income (loss) before depreciation	(3,052)	(2,037)	(485)	(466)	(74)	156	(146)
Depreciation and amortization	3,987	-	1,441	634	132	1,252	528
Operating income (loss)	(7,039)	(2,037)	(1,926)	(1,100)	(206)	(1,096)	(674)
NONOPERATING REVENUES(EXPENSES)							
State Operating Subsidy	5,145	1,650	1,181	943	108	1,098	165
Investment income	2	2	-	-	-	-	-
Non operating expenses	(736)	(95)	(240)	(127)	(3)	1	(272)
Net nonoperating revenues	4,411	1,557	941	816	105	1,099	(107)
Income (loss) before capital contributions	(2,628)	(480)	(985)	(284)	(101)	3	(781)
CAPITAL CONTRIBUTIONS	79,461	60	31,787	8,268	1,542	31,512	6,292
Change in net position	76,833	(420)	30,802	7,984	1,441	31,515	5,511
Total net position, beginning of year	-	-	-	-	-	-	-
Total net position, end of year	$ 76,833	$ (420)	$ 30,802	$ 7,984	$ 1,441	$ 31,515	$ 5,511

Revenues

Revenues generated at the General Aviation Airports include several different sources. There are some that utilize rates outlined within State Regulations such as aircraft parking fees and aircraft landing fees while others are based upon negotiated lease terms within tenant operating agreements. Tenant operating agreements can include revenues derived from straight parcel rents as well as from various percentages paid on receipts they report based upon the different types of services they provide. The largest share of revenues for the General Aviation Airport Enterprise Fund is derived from land rent followed by other operating revenue.

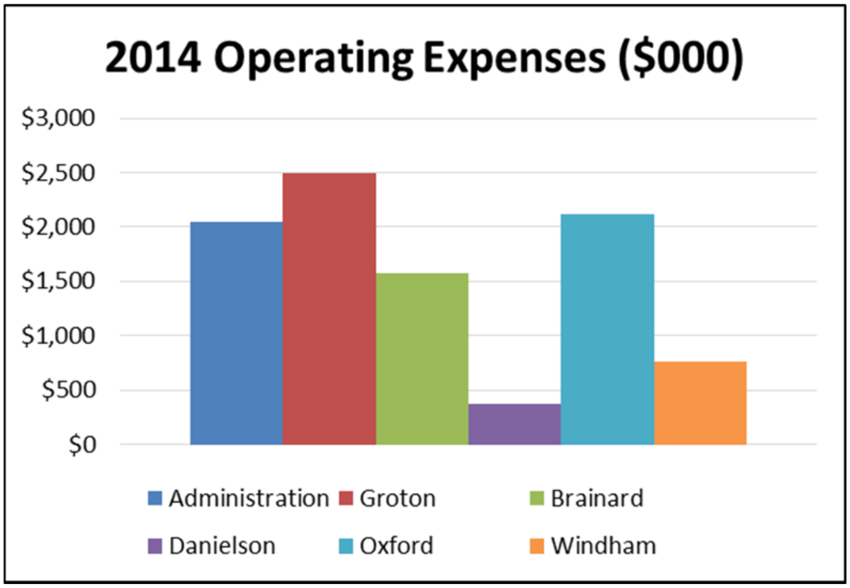
Operating Expenses

Operating expenses in fiscal year 2014 totaled $9,360. Operating expenses include salaries and related expenses, contractual services, energy and utilities, other operating expenses, and depreciation. The distribution of operating expenses for fiscal year 2014 is shown in Table 9.

As indicated earlier, the General Aviation Airports Enterprise Fund receives subsidy from the State of Connecticut for the operating expenses incurred. For FY 2014, the Authority received $5,145 from the State of Connecticut to fund operating expenses for all six general aviation airports. Operating expenses before deprecation equaled $5,373, which exceeded the operating subsidy received by $228. The accounting for the General Aviation Airports Enterprise Fund is based on accrual accounting whereas the subsidy received from the State is on the cash basis. It is the intention of the Authority to work towards reducing this subsidy until such time that the Enterprise Fund can support operations by its own revenues. Table 9 below details the FY 2014 operating expenses by Airport by category.

TABLE 9
OPERATING EXPENSES - GENERAL AVIATION AIRPORTS
FOR THE YEAR ENDED JUNE 30, 2014
(In thousands)

Salaries & Related	**Total 2014**	**GA Airport Administration**	**Groton**	**Brainard**	**Danielson**	**Oxford**	**Windham**
Salaries	$ 1,500	722	223	310	-	244	1
Overtime	331	18	125	74	-	114	-
Other Payroll	353	141	60	85	-	67	-
Fringe Benefit	1,571	637	295	354	-	285	-
Salaries & Related	3,755	1,518	703	823	-	710	1
Contractual							
Contractual Services	901	528	65	14	99	36	159
Contractual Services	901	528	65	14	99	36	159
Other Expense							
Energy/Utilities	296	-	145	50	14	62	25
Other Operating Expenses	421	-	137	55	123	57	49
Other Expense	717	-	282	105	137	119	74
Expenses Before Depreciation	5,373	2,046	1,050	942	236	865	234
Depreciation & Amortization	3,987		1,441	634	132	1,252	528
Total Operating Expenses	$ 9,360	$ 2,046	$ 2,491	$ 1,576	$ 368	$ 2,117	$ 762



BUDGET TO ACTUAL PERFORMANCE

Comparing the budget to actual for the General Aviation Airport Enterprise Fund in FY 2014 would be a futile effort. The FY 2014 budget was presented and approved by the Board of Directors as per the Public Act. However, as explained earlier the State subsidy request for FY 2014 was made during the State's biennial budget process. The amount of the actual subsidy was much less than the Board approved budget. The Authority has worked diligently to manage costs within the confines of the lower subsidy amounts instead of the original Board approved budget.

The Authority continues to look into ways to help reduce the State subsidy yet continue to operate the airports safely and maintain them in the same good condition in which they were transferred and their users have grown accustomed. The revenues are invested into the State of Connecticut Short Term Investment Fund in order to build a sufficient working capital balance for the Enterprise Fund. Expenses are closely monitored and the Authority is actively exploring new avenues of increasing revenue in an effort to reduce the subsidy and ultimately fund its own operations

REQUESTS FOR INFORMATION

This management's discussion and analysis and the following financial statements are designed to be in conformance with generally accepted accounting principles (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB). We believe that this report presents fairly the financial position of the Airport and the results of its operations for the fiscal year ended June 30, 2014. The report is consistent with full disclosure so that the reader may gain a solid understanding of the Authority's financial affairs.

This report was prepared in its entirety by the management of the Connecticut Airport Authority and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation.

CONNECTICUT AIRPORT AUTHORITY
BALANCE SHEET
JUNE 30, 2014

	Bradley International Airport Fund	General Aviation Airports Fund	Total Connecticut Airport Authority
ASSETS			
Current Assets			
Cash	$ 892,051	$ 10,595	$ 902,646
Short-term investments	49,370,867	2,463,298	51,834,165
Accounts receivable, net	5,916,587	94,814	6,011,401
Grants receivable	1,485,196	1,413,596	2,898,792
Restricted investments, current portion	2,933,524	-	2,933,524
Due from State	14,024,882	705,000	14,729,882
Prepaid expenses and other	64,799	-	64,799
Total current assets	74,687,906	4,687,303	79,375,209
Noncurrent Assets			
Restricted assets:			
Car rental facility	22,535,930	-	22,535,930
Passenger facility	72,389,827	-	72,389,827
Bond indenture	9,383,676	-	9,383,676
Capital assets	275,324,735	74,665,196	349,989,931
Total noncurrent assets	379,634,168	74,665,196	454,299,364
Total assets	454,322,074	79,352,499	533,674,573
DEFERRED OUTFLOWS OF RESOURCES			
Interest rate swaps	19,645,534	-	19,645,534
Deferred loss on bond refunding	2,121,941	-	2,121,941
Total deferred outflows of resources	21,767,475	-	21,767,475
Total Assets and Deferred Outflows of Resources	$ 476,089,549	$ 79,352,499	$ 555,442,048
LIABILITIES			
Current Liabilities			
Current maturities of revenue bonds	$ 6,185,000	$ -	$ 6,185,000
Accounts payable and accrued liabilities	6,994,625	683,768	7,678,393
Due to State	1,803,110	1,674,710	3,477,820
Revenue bond interest payable	1,531,305	-	1,531,305
Deferred revenue and other	1,550,398	160,523	1,710,921
Total current liabilities	18,064,438	2,519,001	20,583,439
Noncurrent Liabilities			
Revenue bonds payable, less current maturities	129,415,000	-	129,415,000
Interest rate swap	19,645,534	-	19,645,534
Total noncurrent liabilities	149,060,534	-	149,060,534
Total liabilities	167,124,972	2,519,001	169,643,973
NET POSITION			
Net investment in capital assets	140,622,655	74,665,196	215,287,851
Restricted for:			
Capital projects	98,681,125	-	98,681,125
Debt service	6,449,098	-	6,449,098
Bond indenture requirements	2,112,734	-	2,112,734
Unrestricted	61,098,965	2,168,302	63,267,267
Total net position	308,964,577	76,833,498	385,798,075
Total Liabilities and Net Position	$ 476,089,549	$ 79,352,499	$ 555,442,048

The accompanying notes are an integral part of the financial statements

CONNECTICUT AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Bradley International Airport Fund	General Aviation Airports Fund	Total Connecticut Airport Authority
Operating Revenues			
Airline revenue:			
Landing fees	$ 15,759,127	$ 40,880	$ 15,800,007
Airline terminal rent	9,937,716	6,082	9,943,798
Apron and remote aircraft parking	3,672,452	199,015	3,871,467
Total airline revenue	29,369,295	245,977	29,615,272
Nonairline revenue:			
Auto parking	10,702,968	-	10,702,968
Rental cars	8,694,763	85,246	8,780,009
Terminal concessions	3,945,782	-	3,945,782
Land rent	4,052,077	1,081,918	5,133,995
Other concessions	3,270,891	-	3,270,891
Other operating revenue	2,303,853	908,760	3,212,613
Total nonairline revenue	32,970,334	2,075,924	35,046,258
Total operating revenues	62,339,629	2,321,901	64,661,530
Operating Expenses			
Salaries and related expense	20,221,410	3,754,743	23,976,153
Contractual services	19,915,647	900,829	20,816,476
Energy and utilities	5,553,782	296,078	5,849,860
Other operating expense	1,969,348	421,370	2,390,718
Depreciation and amortization	16,426,077	3,986,997	20,413,074
Total operating expenses	64,086,264	9,360,017	73,446,281
Operating Loss	(1,746,635)	(7,038,116)	(8,784,751)
Nonoperating Revenues (Expense)			
Car rental facility charge revenue	5,191,426	-	5,191,426
Passenger facility charge revenue	11,737,745	-	11,737,745
Investment income	103,018	1,612	104,630
Bond interest expense	(5,930,308)	-	(5,930,308)
Other nonoperating expenses	(4,965,788)	(735,545)	(5,701,333)
State operating subsidies	-	5,144,738	5,144,738
Net nonoperating revenues	6,136,093	4,410,805	10,546,898
Income (Loss) Before Capital Contributions	4,389,458	(2,627,311)	1,762,147
Contribution of Airports by the State	299,940,038	71,244,126	371,184,164
Other Capital Contributions	4,635,081	8,216,683	12,851,764
Change in Net Position	308,964,577	76,833,498	385,798,075
Net Position - Beginning of Year	-	-	-
Net Position - End of year	$ 308,964,577	$ 76,833,498	$ 385,798,075

The accompanying notes are an integral part of the financial statements

CONNECTICUT AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Bradley International Airport Fund	General Aviation Airports Fund	Total Connecticut Airport Authority
Cash Flows from Operating Activities			
Received from concessionaires	$ 62,304,245	$ 2,559,693	$ 64,863,938
Payments to employees for services	(20,221,410)	(3,754,743)	(23,976,153)
Payments to suppliers for goods and services	(28,164,405)	(1,116,197)	(29,280,602)
Net cash provided by (used in) operating activities	13,918,430	(2,311,247)	11,607,183
Cash Flows from Capital and Related Financing Activities			
Cash included in transfer of airports from state	435,425	-	435,425
Car rental facility charge receipts	5,185,314	-	5,185,314
Passenger facility charge receipts	11,582,056	-	11,582,056
Capital contributions	5,960,627	7,920,625	13,881,252
Received from grants	-	5,136,258	5,136,258
Principal paid on capital debt	(5,955,000)	-	(5,955,000)
Repayment of grants	(3,147,873)	-	(3,147,873)
Interest paid on capital debt	(5,742,161)	-	(5,742,161)
Planning and studies outlays	(4,965,788)	(735,545)	(5,701,333)
Acquisition of capital assets	(6,325,170)	(7,541,321)	(13,866,491)
Net cash provided by (used in) capital and related financing activities	(2,972,570)	4,780,017	1,807,447
Cash Flows from Investing Activities			
Net purchases of investments	(10,156,827)	(2,459,787)	(12,616,614)
Interest on investments	103,018	1,612	104,630
Net cash used in investing activities	(10,053,809)	(2,458,175)	(12,511,984)
Net Increase in Cash	892,051	10,595	902,646
Cash - Beginning of Year	-	-	-
Cash - End of Year	$ 892,051	$ 10,595	$ 902,646
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating loss	$ (1,746,635)	$ (7,038,116)	$ (8,784,751)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	16,426,077	3,986,997	20,413,074
(Increase) decrease in operating assets:			
Accounts receivable and prepaid expenses	(35,384)	237,792	202,408
Increase (decrease) in operating liabilities:			
Accounts payable and accrued liabilities	(257,535)	623,768	366,233
Deferred revenue and other	(468,093)	(121,688)	(589,781)
Net Cash Provided by (Used In) Operating Activities	$ 13,918,430	$ (2,311,247)	$ 11,607,183

The accompanying notes are an integral part of the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Connecticut Airport Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB). Following is a summary of significant accounting policies of the Authority.

Reporting Entity - The State of Connecticut established the Authority effective July 1, 2011, to operate Bradley International Airport as well as the other State-owned (general aviation) airports. The Authority had no assets as of June 30, 2013, prior to the transfer described below. The Authority is a component unit of the State of Connecticut.

Pursuant to Public Act No. 11-84 (the Act), effective July 1, 2013, the assets and liabilities of Bradley International Airport as well as the general aviation airports were transferred from the Department of Transportation (ConnDOT) to the Authority. Bradley International Airport was previously accounted for in a separate enterprise fund of ConnDOT, while the general aviation airports were accounted for in governmental funds of ConnDOT. The Act requires establishment of the following funds within the Authority:

> The Bradley International Airport Fund - to account for the operations of Bradley International Airport.
>
> The General Aviation Airports Fund - to account for the operations of the following general aviation airports; Oxford Airport, Brainard Airport, Groton/New London Airport, Danielson Airport and Windham Airport.
>
> The CAA Fund - to account for activities not included in the above funds. Currently this fund serves as a conduit for allocating common items to the Bradley International Airport Fund and the General Aviation Airports Fund and has no assets, liabilities, revenues or expenses. Therefore, it has not been presented as a fund in the basic financial statements.

The transfer of Bradley International Airport and the general aviation airports has been accounted for as a contribution from the state in accordance with GASB requirements. Assets and liabilities were transferred at their historical book values.

Basis of Presentation - The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the operation of the Airport. The principal operating revenues of the Authority are fees from carriers and other concessionaires for use of the airports. Operating expenses include the cost of maintaining the airports, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standard - The Authority has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. The statement provides for reclassification of some assets and liabilities as deferred outflows or inflows, and requires certain items previously deferred to be expensed. See deferred outflows below and Note 9.

Revenues - Revenue recognition policies are as follows:

- Landing Fees - Landing fees are principally generated from scheduled airlines, cargo carriers and nonscheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee structure for Bradley International Airport is determined annually pursuant to State regulation and an agreement between the Airport and the signatory airlines based on the operating budget of the Airport. Landing fees are recognized as revenue as landings occur.

- Terminal Rents and Concessions - Rental and concession fees are generated from airlines, food and beverage, retail, rental cars, hotel, advertising and other commercial tenants. Leases are for various terms and generally require rentals based on the space occupied and/or the volume of business, with specific minimum annual rental payments often required. Rental revenue is recognized over the term of the respective leases, and concession revenue is recognized based on reported concessionaire revenue.

- Auto Parking - Auto parking fees are generated by Bradley International Airport from an agreement with a vendor to operate the Airport parking. Revenue is recognized based on a guaranteed fixed annual minimum amount per the agreement plus provisional profit sharing.

- Passenger Facility Charges - Passenger facility charge revenue is recognized when the fee is collected by the airline from the passenger.

- Other - All other types of revenues are recognized when earned.

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program of the Federal Aviation Administration, with certain matching funds provided by the Authority. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisitions, facility development and rehabilitation and eligible long-term planning studies are reported in the statement of revenues, expenses and changes in net position after nonoperating revenues (expenses) as capital contributions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - The Authority presents all investments at fair value except for nonparticipating investment contracts, which are recorded at accreted cost.

The fair value of investments traded on public markets is determined using quoted market prices. The State Treasurer's Short-Term Investment Fund (STIF) is an investment pool managed by the State Treasurer's Office. The fair value of the Authority's position in the pool is the same as the value of the pool shares.

There were no significant investment gains or losses for the year ended June 30, 2014.

Capital Assets and Depreciation - Capital assets, which include property, equipment and infrastructure assets (runways, taxiways and aprons), are stated at cost, which includes applicable capitalized interest and expenditures of the Federal Aviation Administration and State contributions in support of construction. The Authority defines capital assets as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year.

Maintenance and repairs that do not add to the value of the asset or materially extend its life are charged to expense as incurred, while significant renewals and betterments are capitalized.

Depreciation is computed on a straight-line basis. The estimated useful lives of the major property, equipment and infrastructure classifications are as follows: land improvements, 20 to 50 years; buildings and improvements, 10 to 40 years; and machinery and equipment, 3 to 15 years. Depreciation expense relating to both purchased and contributed assets is charged against operations.

Deferred Outflows of Resources - In addition to assets, the balance sheet also reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows include the fair value of interest rate swaps and a deferred charge on the refunding of bonds. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Bond Premiums and Discounts - Long-term debt and other noncurrent obligations are reported as liabilities in the balance sheet. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

Interest Rate Swaps - The Authority's interest rate swap agreements have been determined to be effective hedges for accounting purposes. Accordingly, the fair value of the hedges and changes therein are recognized as deferred inflows or outflows under interest rate swaps on the balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - Employees of the Authority are considered State employees for purposes of employee benefits. Employees hired on or before June 30, 1977 and managers employed by the State before the transition to the Authority can accumulate up to a maximum of 120 vacation days. Employees hired by the Authority can only accumulate one year's worth of earned vacation time. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after 10 years of service upon death, for an amount equal to one-fourth of their accrued sick leave up to a maximum payment equivalent to 60 days. All vacation and sick pay that would be payable assuming termination at year-end is accrued on the balance sheet. The related liability is based upon current compensation levels.

Allocation of Expenses - The financial statements include certain allocations of expenses incurred jointly by the Authority and the State, as follows:

Fringe benefits costs, which are incurred at the State level, are charged to the airports based on each employee's actual benefit costs. Total fringe benefit charges to the Authority were $8,996,673 for the year ended June 30, 2014.

The costs of indirect services provided to the Authority by other units of the Department of Transportation and the State, such as the Office of the State Treasurer, the Office of the State Comptroller and the Office of the Attorney General, are allocated to the Authority based on hours expended in assisting the Authority, subject to a cap of 5% of Bradley International Airport wages for the year ended June 30, 2013. These charges totaled $433,346 for the year ended June 30, 2014.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk - Deposits - In the case of deposits, this represents the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk on deposits. As of June 30, 2014, $1,046,854 of the Authority's bank balance was exposed to custodial credit risk because it was not covered under federal depository insurance or collateralized, as defined by GASB Statement No. 40. However, all bank deposits were in qualified public institutions as defined by State statute. Under this statute, any bank holding public deposits must, at all times, maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposit is determined

NOTE 2 - CASH AND INVESTMENTS (Continued)

based on either the public deposits reported on the most recent quarterly call report or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments

The following is a summary of investments at June 30, 2014:

	Bradley International Airport Fund	General Aviation Airports Fund	Total
State Treasurer's Short-Term Investment Fund	$ 154,065,106	$ 2,463,298	$ 156,528,404
Total Investments	$ 154,065,106	$ 2,463,298	$ 156,528,404

Interest Rate Risk - Because the Authority's investments are comprised of the State Treasurer's Short-Term Investment Fund, which is redeemable on demand, the Authority is not subject to declines in value due to interest rate risk.

Credit Risk - Connecticut General Statutes authorize the Authority to invest in obligations of the U.S. Treasury, including its agencies and instrumentalities, commercial paper, banker's acceptance, repurchase agreements and the State Treasurer's Short-Term Investment Fund.

Investment ratings for the Authority's investments are as follows:

	Moody's Investors Service	Standard & Poor's
State Treasurer's Short-Term Investment Fund	AAAm	AAAm

Concentration of Credit Risk - The Authority's investment policy does not limit the investment in any one investment vehicle. The State Treasurer's Short-Term Investment Fund is an investment pool that is not subject to this disclosure.

Custodial Credit Risk - Investments - For an investment, this represents the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of the investment. The Authority does not have a policy for custodial credit risk on investments.

NOTE 3 - RESTRICTED ASSETS

Car Rental Facility Charges

Car rental facility charges are restricted for expenditure for a car rental facility at Bradley International Airport. Restricted assets are comprised of the following as of June 30, 2014:

Car rental facility charges receivable	$	523,719
Interest receivable		2,914
Investments		22,009,297
	$	22,535,930

Passenger Facility Charges

Passenger facility charges are restricted for expenditure for federally approved Bradley International Airport improvement projects or debt service of Bradley International Airport. Restricted assets are comprised of the following as of June 30, 2014:

Cash	$	404,803
Passenger facility charges receivable		1,595,477
Interest receivable		9,071
Investments		70,380,476
	$	72,389,827

Bond Indenture

The following assets are restricted for debt service as required under the Bond Indenture. Restricted assets are comprised of the following as of June 30, 2014:

Investments	$	12,304,466
Less: current portion		(2,933,524)
		9,370,942
Interest receivable		12,734
	$	9,383,676

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2014 were as follows:

	Contribution of Assets by State July 1, 2013	Additions	Reductions and Reclassifications	Balance June 30, 2014
BRADLEY INTERNATIONAL AIRPORT				
Capital assets not being depreciated:				
Land	$ 2,657,154	$ -	$ -	$ 2,657,154
Construction in progress	10,885,002	6,268,506	(4,351,723)	12,801,785
Total capital assets not being depreciated	18,871,359	6,268,506	(4,351,723)	15,458,939
Capital assets being depreciated:				
Land improvements	228,644,641	2,521,505	-	231,166,146
Buildings and improvements	297,803,250	1,147,172	-	298,950,422
Machinery and equipment	29,445,338	739,710	(939,753)	29,245,295
Total capital assets being depreciated	555,893,229	4,408,387	(939,753)	559,361,863
Less accumulated depreciation for:				
Land improvements	(149,436,504)	(8,058,396)	-	(157,494,900)
Buildings and improvements	(111,245,661)	(7,007,175)	-	(118,252,836)
Machinery and equipment	(23,327,578)	(1,360,506)	939,753	(23,748,331)
Total accumulated depreciation	(284,009,743)	(16,426,077)	939,753	(299,496,067)
Total capital assets being depreciated, net	271,883,486	(12,017,690)	-	259,865,796
Capital Assets, Net	$ 290,754,845	$ (5,749,184)	$ (4,351,723)	$ 275,324,735

	Contribution of Assets by State July 1, 2013	Additions	Reductions and Reclassifications	Balance June 30, 2014
GENERAL AVIATION AIRPORTS				
Capital assets not being depreciated:				
Land	$ 1,852,460	$ 20,686,916	$ -	$ 22,539,376
Construction in progress	29,649,822	7,541,322	(20,686,916)	16,504,228
Total capital assets not being depreciated	31,502,282	28,228,238	(20,686,916)	39,043,604
Capital assets being depreciated:				
Land improvements	75,310,547	-	-	75,310,547
Buildings and improvements	15,121,718	-	-	15,121,718
Machinery and equipment	8,456,097	-	-	8,456,097
Total capital assets being depreciated	98,888,362	-	-	98,888,362
Less accumulated depreciation for:				
Land improvements	(40,940,089)	(3,280,377)	-	(44,220,466)
Buildings and improvements	(11,735,290)	(349,319)	-	(12,084,609)
Machinery and equipment	(6,604,394)	(357,301)	-	(6,961,695)
Total accumulated depreciation	(59,279,773)	(3,986,997)	-	(63,266,770)
Total capital assets being depreciated, net	39,608,589	(3,986,997)	-	35,621,592
Capital Assets, Net	$ 71,110,871	$ 24,241,241	$ (20,686,916)	$ 74,665,196

NOTE 5 - LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

Bradley International Airport Fund	Balance July 1, 2013	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 2014
Revenue bonds payable	$ 141,555,000	$ -	$ 5,955,000	$ 135,600,000

Bradley International Airport Fund Revenue Bonds

A summary of Bradley International Airport revenue bonds outstanding as of June 30, 2014 is as follows:

Description	Interest Rates	2014
Series 2011A	Variable - percent of one-month LIBOR	$ 81,360,000
Series 2011B	Variable - percent of one-month LIBOR	54,240,000
Principal outstanding		135,600,000
Less current maturities		(6,185,000)
Long-Term Portion		$ 129,415,000

Series 2011A and 2011B - On March 31, 2011, Bradley International Airport Revenue Refunding Bonds Series 2011A and 2011B were issued in the amount of $91,430,000 and $60,950,000, respectively, to retire $161,445,000 of outstanding 2001A bonds. The aggregate principal and interest payments of the Series 2011A and 2011B bonds total $228,421,866, replacing the aggregate principal and interest payments of $258,238,749 on the refunded bonds, generating an economic gain of $7,569,810. The transaction resulted in a deferred accounting loss of $30,753, which the Authority is amortizing over the life of the refunded debt.

The 2011 bonds are secured by and payable solely from the gross operating revenues generated by the Authority from the operation of Bradley International Airport and other receipts, funds or monies pledged in the bond indenture, including a portion of Bradley International Airport's passenger facility charges revenue.

Debt Service Account - A debt service account has been established in accordance with the various bond indentures to provide for payment of principal at maturity and semiannual interest payments due on April 1 and October 1 of each year. The annual principal payments and interest on the variable rate Airport Revenue Refunding Bonds Series 2011 are disclosed in Note 6, along with the net receipt or payment arising from the Authority's interest rate swaps.

NOTE 5- LONG-TERM OBLIGATIONS (Continued)

Bond covenants require that certain accounts be established and maintained in the custody of the Trustee into which bond proceeds, operating revenues and investment earnings are deposited. The disbursement of funds from these accounts for the cost of facilities and debt service are provided for in the various indentures. Amounts on deposit at June 30, 2014 are recognized as restricted assets in the accompanying balance sheet.

NOTE 6 - INTEREST RATE SWAPS

Objective - As a means to lock in its future borrowing costs, two forward starting interest rate swaps were entered into in 2006. The swaps effectively changed the Bradley International Airport's interest rate on the 2011 Series bonds from a variable interest rate to a synthetic fixed rate. The interest rate swaps are considered to be effective cash flow hedges for accounting purposes.

Terms - The notional amount of the swaps matches the principal amounts of the associated debt. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow anticipated reductions to the associated bond issue's outstanding balance. Under the swaps, the Authority pays the counterparty a fixed interest rate payment and receives a variable interest rate payment based on the LIBOR rate. Only the net difference in interest payments will be actually exchanged between the parties. No cash was received or paid when the swap transactions were initiated.

Fair Value - The valuation of the two swaps changes with movements in interest rate levels; generally, as interest rates decrease, the fair values of the swaps decrease also. As of June 30, 2014, both swaps had negative fair values (representing a liability) as indicated below. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risk - As of June 30, 2014, the Authority had no exposure to credit risk on either of the swaps as both had negative fair values. The credit ratings of the swap counterparties are indicated below.

Both swaps contain collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap in cash or government securities should the counterparties' credit rating fall below Aa3 as issued by Moody's Investor Service or AA- as issued by Standard & Poor's Ratings or Fitch Ratings. No collateral was required to be posted for either of the swaps as of June 30, 2014. The Authority is not required to post collateral for either of the swaps.

NOTE 6 - INTEREST RATE SWAPS (Continued)

Basis Risk - Bradley International Airport Fund variable-rate bond interest payments are reset weekly using a formula based on one-month LIBOR. The Bradley International Airport Fund receives a variable rate payment from the swap counterparties that are reset weekly using a formula based on three-month LIBOR. The fund is exposed to basis risk since both amounts are not calculated using the same formula.

Termination Risk - The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If either of the swaps is terminated, the associated variable rate bonds would no longer carry synthetic fixed interest rates. If at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment approximately equal to the swap's fair value. Under both swap agreements, the Authority has up to 270 days to fund any required termination payment.

The following is a summary of terms of the interest rate swaps held on June 30, 2014 by the Authority:

Counterparty	Goldman Sachs Capital Markets, L.P.	Bank of America, N.A.
Bond issue	2011A	2011B
Original notional amount	$91,430,000	$60,950,000
Face amount of related bonds	$91,430,000	$60,950,000
Current outstanding amount as of June 30, 2014	$81,360,000	$54,240,000
Effective date	April 1, 2011	April 1, 2011
Maturity date	October 1, 2031	October 1, 2031
Fixed rate paid	3.693%	3.683%
Variable rate received	60% of 3-month USD LIBOR plus 40 basis points	60% of 3-month USD LIBOR plus 40 basis points
Variable interest rate in effect under swap at June 30, 2014	0.540%	0.540%
Variable interest rate in effect on related bonds	0.806%	0.866%
Credit rating of counterparty:		
Moody's Investors Service	Aa2	A2
Standard & Poor's	AAA	A

NOTE 6 - INTEREST RATE SWAPS (Continued)

The following is a summary of the changes in fair value of the interest rate swaps for the year ended June 30, 2014, which are accounted for as changes in deferred outflows reported in the balance sheet:

	Goldman Sachs	Bank of America	Total
Fair value - July 1, 2013	$ (12,301,087)	$ (8,153,170)	$ (20,454,257)
Change in fair value for the year ended June 30, 2014	504,646	304,077	808,723
Fair Value - June 30, 2014	$ (11,796,441)	$ (7,849,093)	$ (19,645,534)

Interest Rate Swap Payments and Hedged Debt - Aggregate debt service requirements of the Authority's variable rate bonds and net receipt/payments on the associated interest rate swap agreements as of June 30, 2014 are presented below. These amounts assume that current rates on variable rate bonds and the current reference rates on the swaps will remain the same for their term. As these rates vary, interest payments on variable rate bonds and the net receipts/payments on the interest rate swaps will also vary.

Year Ending June 30	Series 2011 Variable Rate Bonds Principal	Series 2011 Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2015	$ 6,185,000	$ 1,090,482	$ 4,136,527	$ 11,412,009
2016	6,435,000	1,037,737	3,936,401	11,409,138
2017	6,690,000	982,888	3,728,285	11,401,173
2018	6,960,000	925,842	3,511,837	11,397,679
2019	7,225,000	866,580	3,286,981	11,378,561
2020-2024	36,825,000	3,395,876	12,879,897	53,100,773
2025-2029	38,375,000	1,880,040	7,128,860	47,383,900
2030-2032	26,905,000	300,517	1,137,527	28,343,044
	$ 135,600,000	$ 10,479,962	$ 39,746,315	$ 185,826,277

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following as of June 30, 2014:

	Bradley International Airport Fund	General Aviation Airports Fund	Total
Accrued payroll	$ 3,776,599	$ 561,768	$ 4,338,367
Accrued operating expenses	1,994,005	96,948	2,090,953
Accounts payable - projects	1,224,021	25,052	1,249,073
	$ 6,994,625	$ 683,768	$ 7,678,393

NOTE 8 - RESTRICTED REVENUE

The following Bradley International Airport Fund car rental facility charge revenue is restricted for expenditures for a car rental facility at Bradley International Airport for the year ended June 2014:

Car rental facility charge revenue	$ 5,164,786
Interest income	26,640
	$ 5,191,426

The following Bradley International Airport Fund passenger facility charge revenue and investment income earned thereon is restricted for expenditures for federally approved improvement projects at Bradley International Airport for the year ended June 30, 2014:

Passenger facility charge revenue	$ 11,643,604
Interest income	94,141
	$ 11,737,745

NOTE 9 - CONTRIBUTION OF AIRPORTS BY THE STATE

As discussed in Note 1, effective July 1, 2013, all assets and liabilities were contributed by the State of Connecticut to the Authority effective July 1, 2013 and were recognized by the Authority at their book values. Certain adjustments were made to the Bradley International Airport Enterprise Fund June 30, 2013 audited amounts prior to the transfer to comply with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

The following is a summary of the contribution of airports by the State:

Bradley International Airport Enterprise Fund:		
Net position reported as of June 30, 2013	$	315,165,848
GASB Statement No. 65 expensing of items previously reported as assets:		
Deferred planning and studies costs		(8,156,769)
Deferred lease costs		(1,161,179)
Deferred bond issuance costs		(578,659)
Write off of capital project costs having no future benefit to the Authority		(5,329,203)
Net contribution by State		299,940,038
General aviation airports		71,244,126
Contribution of Airports by State	$	371,184,164

NOTE 10 - LEASES

Substantial amounts of real property are leased to various airlines and other tenants. The leases consist of month-to-month, cancelable space and use permits and noncancelable operating leases for land, buildings and terminal space. The leases expire over the next 41 years.

Bradley International Airport Fund

Future minimum rental income on noncancelable operating leases for the next five years based on forecasted space usage as negotiated with individual air carriers is as follows:

Year Ending June 30		
2015	$	24,488,731
2016		24,871,365
2017		24,043,181
2018		17,377,356
2019		17,031,645
	$	107,812,278

NOTE 10 - LEASES (Continued)

Future minimum rental income for fiscal years ending June 30, 2015 through June 30, 2019 are estimated using minimum guarantee payment schedules outlined in the leases, as well as estimated consumer price index adjustments.

General Aviation Airports Fund

Future minimum rental income on noncancelable operating leases for the next five years based on forecasted space usage as negotiated with individual air carriers is as follows:

Year Ending June 30		
2015	$	588,461
2016		437,207
2017		430,307
2018		387,624
2019		346,858
	$	2,190,457

Future minimum rental income for fiscal years ending June 30, 2015 through June 30, 2019 are estimated using minimum guarantee payment schedules outlined in the leases, as well as estimated consumer price index adjustments.

NOTE 11 - RETIREMENT PLAN

Eligible employees of the Authority participate in the State Employees' Retirement System (SERS), which is administered by the State Employees' Retirement Commission. The Authority has no liability for pension costs other than the annual contribution as determined by SERS. An actuarial study was performed on the plan as a whole. Therefore, certain pension disclosures relative to the Authority cannot be provided. Information on the total plan funding status and progress, required contributions and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

SERS is a cost-sharing multiple-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 to 5-192 of the Connecticut General Statutes. Employees are covered under one of four tiers. Tier I requires an employee contribution of either 2% or 5% of salary, depending on the plan. Tier II is a noncontributory plan. Tier IIA requires an employee contribution of 2% of salary. The Authority's contribution is determined by applying a State-mandated percentage to eligible salaries and wages. Members who joined the retirement system prior to July 1, 1984 are generally enrolled in Tier I. Members who joined the retirement system after July 1, 1984 are enrolled in Tier II. Employees first hired on or after July 1, 1997 are members of Tier IIA. Employees rehired on or after July 1, 1997 are also members of Tier

NOTE 11 - RETIREMENT PLAN (Continued)

IIA unless the application of SERS Service of bridging provisions mandates their placement in either Tier I or Tier II. Tier I employees who retire at or after age 65 with 10 years of credited service or at or after age 55 with 25 years of service are eligible for an annual retirement benefit payable monthly for life, in an amount of 2% of the annual average earnings (which are based on the three highest years of service). In most cases, this is reduced to 1% for the first $4,800 of salary upon receipt of social security benefits. Employees at age 55 with 10 years but less than 25 years of service, or at age 70 with 5 years of service, are entitled to a reduced benefit. Tier II and Tier IIA employees who retire at or after age 63 with 25 years of service, or at age 65 with 10 years of service, or at age 70 with 5 years of service, or at age 55 with 10 years of service with reduced benefits are entitled an annual retirement benefit payable monthly for life, in an amount of one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at one and five-eighths percent. The 2011 State Employees Bargaining Agent Coalition Agreement (Agreement) provides current Tier II and Tier IIA members who remain employed after July 1, 2022, the opportunity for a one-time irrevocable election to retain the normal retirement eligibility in place prior to the Agreement. The election would require an additional employee contribution based on their original eligible retirement date. Under the prior agreement, normal retirement eligibility was 60 and 25 years of service or age 62 and 10 years of service. All Tier I members are vested after 10 years of service. Effective July 1, 1997, all Tier II and Tier IIA members are vested after 5 years of service. Effective July 1, 2011, a new Tier III plan was established for employees hired on or after July 1, 2011. The Tier III plan has a 10-year vesting provision and employees contribute 2% of salary. Full retirement benefits are attained at age 63 with 25 years of service, or at age 65 with 10 years of service and are payable monthly for life in an amount equal to one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at one and five-eighths percent. The minimum retirement age is 58 with a discounted benefit. All plans provide for death and disability benefits. The Authority's total payroll for the year ended June 30, 2014, was $12,017,000. The payroll for employees of the Authority covered by SERS for the year ended June 30, 2014 totaled $12,017,000.

Contributions made by the Authority:	$ 6,765,000
% of current year covered payroll	56.3%
Actual contribution as a percentage of required contribution	100%

Information regarding contributions made by employees is not available.

NOTE 12 - RELATED-PARTY TRANSACTIONS

The State of Connecticut is responsible for processing the Authority's payroll, accounts payable and purchasing. Funds are transferred to the State on a monthly basis for this purpose.

In addition, the Authority receives certain grants and revenues that reimburse project costs incurred by the State. Such amounts are remitted to the State on a regular basis. Amounts due to the State as presented in the balance sheet totaled $3,477,820 at June 30, 2014.

Amounts due from the State as presented in the balance sheet totaled $14,729,882 at June 30, 2014.

NOTE 13 - POSTRETIREMENT BENEFITS

As employees of the State of Connecticut, the Authority's personnel are eligible to receive postretirement medical and life insurance coverage. The accounting for and funding of these benefits is done on a cash basis.

The costs of these benefits to the Authority for the year ended June 30, 2014 cannot be determined because postretirement benefits are paid by the State and not charged to the Authority.

NOTE 14 - RISK MANAGEMENT

The Authority is subject to normal risks associated with its operations, including property damage, personal injury and employee dishonesty. With the exception of certain vehicle-related liabilities for which the State retains some risk, all other risks are managed through the purchase of commercial insurance as required by the various bond indentures. There have been no losses exceeding insurance coverage during the last three years.

NOTE 15 - COMMITMENTS

In August 2014, the Authority entered into a contract with a third party for the demolition of Terminal B at Bradley International Airport. The project is expected to be completed within 18 months, with an estimated cost of $15,330,000. Of the total cost, $13,880,000 is to be funded through passenger facility charges, with the remainder to be funded through operations of Bradley International Airport.

CONNECTICUT AIRPORT AUTHORITY
COMBINING BALANCE SHEET - GENERAL AVIATION AIRPORTS FUND
JUNE 30, 2014

	Oxford Airport	Brainard Airport	Groton New London Airport	Danielson Airport	Windham Airport	GA Airport Administration	Total General Aviation Airports Fund
ASSETS							
Current Assets							
Cash	$ 3,478	$ 2,567	$ 3,163	$ 727	$ 660	$ -	$ 10,595
Short-term investments	1,019,061	508,643	636,029	174,387	102,655	22,523	2,463,298
Accounts receivable, net	62,902	6,277	19,448	5,413	774	-	94,814
Grants receivable	458,708	135,877	819,011	-	-	-	1,413,596
Due from State	308,315	153,009	243,676	-	-		705,000
Total current assets	1,852,464	806,373	1,721,327	180,527	104,089	22,523	4,687,303
Noncurrent Assets							
Capital assets	30,241,987	7,507,936	30,078,968	1,372,426	5,433,775	30,104	74,665,196
Total noncurrent assets	30,241,987	7,507,936	30,078,968	1,372,426	5,433,775	30,104	74,665,196
Total Assets	$ 32,094,451	$ 8,314,309	$ 31,800,295	$ 1,552,953	$ 5,537,864	$ 52,627	$ 79,352,499
LIABILITIES							
Current Liabilities							
Accounts payable and accrued liabilities	$ 81,842	$ 174,770	$ 111,961	$ 1,686	$ 1,595	$ 311,914	$ 683,768
Due to State	458,708	135,877	819,011	90,453	19,200	151,461	1,674,710
Deferred revenue and other	37,237	19,910	67,609	20,225	5,902	9,640	160,523
Total current liabilities	577,787	330,557	998,581	112,364	26,697	473,015	2,519,001
Total noncurrent liabilities	-	-	-	-	-	-	-
Total liabilities	577,787	330,557	998,581	112,364	26,697	473,015	2,519,001
NET POSITION							
Net investment in capital assets	30,241,987	7,507,936	30,078,968	1,372,426	5,433,775	30,104	74,665,196
Unrestricted	1,274,677	475,816	722,746	68,163	77,392	(450,492)	2,168,302
Total net position	31,516,664	7,983,752	30,801,714	1,440,589	5,511,167	(420,388)	76,833,498
Total Liabilities and Net Position	$ 32,094,451	$ 8,314,309	$ 31,800,295	$ 1,552,953	$ 5,537,864	$ 52,627	$ 79,352,499

CONNECTICUT AIRPORT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - GENERAL AVIATION AIRPORTS FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Oxford Airport	Brainard Airport	Groton New London Airport	Danielson Airport	Windham Airport	GA Airport Administration	Total General Aviation Airports Fund
Operating Revenues							
Airline revenue:							
Landing fees	$ 40,880	$ -	$ -	$ -	$ -	$ -	$ 40,880
Airline terminal rent	-	-	6,082	-	-	-	6,082
Apron and remote aircraft parking	76,530	57,210	23,040	12,305	29,930	-	199,015
Total airline revenue	117,410	57,210	29,122	12,305	29,930	-	245,977
Nonairline revenue:							
Rental cars	37,178	-	48,068	-	-	-	85,246
Land rent	337,672	362,649	304,018	29,810	47,769	-	1,081,918
Other operating revenue	530,226	56,454	183,589	120,051	10,680	7,760	908,760
Total nonairline revenue	905,076	419,103	535,675	149,861	58,449	7,760	2,075,924
Total operating revenues	1,022,486	476,313	564,797	162,166	88,379	7,760	2,321,901
Operating Expenses							
Salaries and related expense	710,906	823,515	702,462	-	772	1,517,088	3,754,743
Contractual services	35,939	13,783	65,082	99,197	159,356	527,472	900,829
Energy and utilities	61,533	50,088	145,472	14,156	24,829	-	296,078
Other operating expense	57,386	55,128	136,585	122,803	49,468	-	421,370
Depreciation and amortization	1,251,728	633,803	1,441,438	131,965	528,063	-	3,986,997
Total operating expenses	2,117,492	1,576,317	2,491,039	368,121	762,488	2,044,560	9,360,017
Operating Loss	(1,095,006)	(1,100,004)	(1,926,242)	(205,955)	(674,109)	(2,036,800)	(7,038,116)
Nonoperating Revenues (Expense)							
Investment income	-	-	-	-	-	1,612	1,612
Other nonoperating expenses (revenue)	2,082	(127,277)	(240,275)	(3,253)	(271,823)	(94,999)	(735,545)
State operating subsidies	1,097,322	943,204	1,181,003	108,312	164,739	1,650,158	5,144,738
Net nonoperating revenues	1,099,404	815,927	940,728	105,059	(107,084)	1,556,771	4,410,805
Income (Loss) Before Capital Contributions	4,398	(284,077)	(985,514)	(100,896)	(781,193)	(480,029)	(2,627,311)
Contribution of Airports by the State	26,661,022	5,994,946	31,102,364	1,538,232	5,996,212	(48,650)	71,244,126
Other Capital Contributions	4,851,244	2,272,883	684,864	3,253	296,148	108,291	8,216,683
Change in Net Position	31,516,664	7,983,752	30,801,714	1,440,589	5,511,167	(420,388)	76,833,498
Net Position- Beginning of Year	-	-	-	-	-	-	-
Net Position - End of Year	$ 31,516,664	$ 7,983,752	$ 30,801,714	$ 1,440,589	$ 5,511,167	$ (420,388)	$ 76,833,498

CONNECTICUT AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGE EXPENDITURES - BRADLEY INTERNATIONAL AIRPORT
FOR THE QUARTERS ENDED SEPTEMBER 30, 2013, DECEMBER 31, 2013,
MARCH 31, 2014 AND JUNE 30, 2014

Project Description	Cumulative Expenditures through June 30, 2013	Net Expenditures for the Quarter Ended September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	Cumulative Expenditures through June 30, 2014		Approved Amount
Terminal building and concourse	$ 11,601,050	$ -	$ -	$ -	$ -	$ 11,601,050	a	$ 207,373,251
Purchase and install jetways	-	-	-	-	-	-	b	23,750,895
Terminal building apron	-	-	-	-	-	-	c	18,645,121
Terminal roadways and glycol piping	-	-	-	-	-	-	d	7,765,140
Debt service payments	71,231,807	4,860,291	-	2,048,711	-	78,140,809		***
	82,832,857	4,860,291	-	2,048,711	-	89,741,859		257,534,407
Construction of taxiway	1,043,000	-	-	-	-	1,043,000		1,043,000
Equipment acquisition	3,263,971	-	-	-	-	3,263,971		3,263,971
Glycol collection facility	14,659,913	-	-	-	-	14,659,913		14,659,913
Surface monitoring system	45,914	-	-	-	-	45,914		45,914
New aircraft ramps	1,226,394	-	-	-	-	1,226,394		1,226,394
Terminal B roadway system	3,036,483	-	-	-	-	3,036,483		3,036,483
Peak mountain lights	715,438	-	-	-	-	715,438		715,438
Design of glycol collection system	1,807,806	-	-	-	-	1,807,806		1,808,894
Snow removal equipment	1,848,891	-	-	-	-	1,848,891		1,848,891
Security fencing	306,448	-	-	-	-	306,448		306,448
New firehouse	378,950	-	-	-	-	378,950		378,950
Remote ramp lights	471,174	-	-	-	-	471,174		471,174
New maintenance garage	6,257,923	-	-	-	-	6,257,923		6,257,923
Taxiway S East	4,557,853	-	-	-	-	4,557,853		4,557,854
ARFF 300 Gal	1,049,896	-	-	-	-	1,049,896		1,102,000
Security improvements and training system	3,027,775	-	-	-	-	3,027,775		3,050,000
Reconstruction T/W E&T and relocate R/W1	1,399,312	-	-	-	-	1,399,312		1,399,531
Reconstruct L, T and M	965,858	-	-	-	-	965,858		975,043
Reconstruction of Runway 6-24	3,685,046	-	-	-	-	3,685,046		3,967,768
Construction of Taxiway W off RW 15	715,286	-	-	-	-	715,286		715,288
Purchase of two mobile Glycol Collection Units	762,256	-	-	-	-	762,256		762,256
Pilot Noise Insulation Program	519,251	814	-	-	36,854	556,919		633,406
Residential Sound Insulation Program-Pkg 1 2B	265,479	-	-	-	-	265,479		270,644
Residential Sound Insulation Program-Pkg 2 2B	242,260	-	-	-	-	242,260		261,723
Residential Sound Installation Program	-	-	-	-	-	-		284,227
Purchase Two ARFF Trucks	1,444,871	-	-	-	-	1,444,871		1,475,000
Design of Airfield Lighting Vault	750,000	-	-	-	-	750,000		1,100,000
Installation of Co-Gen Engine	2,520,000	-	-	-	-	2,520,000		2,664,965
Residential Sound Installation Program (165-450NP) 2C	146,747	135,914	63,925	-	-	346,586		347,848
Residential Sound Installation Program (165-450NC) 2C	-	277,152	-	-	-	277,152		277,152
Relocate Airfield Lighting Vault	2,951,638	-	-	-	19,801	2,971,439		3,500,000
New Term Dev Schematic PE Study and Des	569,433	-	66,500	21,219	-	657,152		698,181
Replace Two 1997 Snow Blower Attachments	-	-	-	-	-	-		220,000
Replace Two 1997 Snow Broom Attachments	-	-	-	-	-	-		200,000
Residential Sound Installation Program - (165-450NC) 2C	-	249,973	-	314,870	40,364	605,207		706,892
Residential Sound Installation Program	-	-	-	-	-	-		168,108
Purchase Land for Bird Mitigation	-	-	-	-	-	-		1,271,519
Rehabilitate Taxiway C North Design	83,903	-	-	-	-	83,903		238,702
Installation of Emergency Power for Security	13,319	-	-	-	-	13,319		24,500
Replace Upper and Lower Level Vestibule Doors	-	-	-	-	-	-		150,000
Refurbish Two Outbound Conveyors	-	-	-	-	-	-		25,000
Installation of Barriers in Front of Terminal	-	-	-	-	-	-		50,000
Terminal Demolition Design	-	-	-	-	-	-		1,435,230
New Roadway System Design	-	-	-	-	-	-		1,057,556
Rehabilitate Taxiway C North	-	-	-	-	-	-		1,333,441
FIDS Monitor Replacement	-	-	-	-	-	-		179,000
Install 4 Microphone Systems for Audio Paging System	-	-	-	-	-	-		20,000
	$ 143,565,345	$ 5,524,144	$ 130,425	$ 2,384,800	$ 97,019	$ 151,701,733		$ 327,720,634

*** Represents the debt service on items a, b, c and d, which are being funded with the proceeds of the $194,000,000 Series 2001A Bonds

CONNECTICUT AIRPORT AUTHORITY
SCHEDULE OF INSURANCE COVERAGE - BRADLEY INTERNATIONAL AIRPORT
JUNE 30, 2014
(*Unaudited*)

Type of Insurance	Property Covered	Amount of Coverage
Comprehensive Crime Policy	Employee theft; ERISA; forgery or alteration computer crime, funds transfer, claim expense	$2,000,000 limit, $25,000 claims expense $15,000 deductible
Kidnap and Ransom	Kidnap and ransom, extortion, detention and hijack, additional expense, legal liability	$1,000,000 - $0 deductible
	Personal accident	$250,000 limit
	Rest and Rehab expenses	$50,000 limit
Fiduciary		$1,000,000 limit of liability -
	Settlement program, HIPAA, 502(c) penalties	$100,000 Limit
Paramedic Professional		$1,000,000 limit of liability $3,000,000 aggregate limit $250,000 abuse molestation limits
Police Professional		$1,000,000 maximum limit of liability - each claimant/each claim $1,000,000 aggregate limit $25,000 deductible
Public Official		$10,000,000 limit of liability each claim/aggregate $100,000 deductible
Pollution	Pollution legal liability, onsite/offsite clean up costs, nonowned disposal site, inbound and out bound contingent transpiration,	$20,000,000 limit and aggregate limit
	Contracting service pollution liability	$1,000,000 limit and aggregate limit $50,000 deductible
Automobile Policy	Comprehensive and Collision coverage for CAA automobiles	$1,000,000 Liability limit $5,000 medical payments $1,000,000 uninsured motorist $1,000,000 underinsured motorist $1,000 deductible - collision and comprehensive
Equipment	Blanket schedule coverage	$13,884,566 max limit any one occurrence
	Property lease or rented from others	$500,000 value of any one not exceed
	Rental expense	$25,000 limit
	In schedule equipment	$50,000 limit $100,000 deductible - Groton only (flood only) $25,000 deductible - Hartford only (flood only) $2,500 deductible all other locations and perils
Property	Earthquake-runways, aprons & T/W's, flood runways, aprons, & /T/W's, utilities services direct damage an time element (including boiler and machinery, airport runways, aprons and T/W per endorsement #1 - GA's	$10,000,000 limit
	Airport runway, apron and T/W - BDL	$50,000,000 limit
	Earthquake, flood zone B, X and X-500	$25,000,000 limit
	Building and Personal Property	total insured value $724,045,013 - $500,000,000 limit
	Boiler and machinery insured loc only	$250,000,000 limit
	Flood zone A	$2,500,000 limit
	Earthquake, flood zone A, airport runway, apron and T/W, windstorm Groton	$250,000 deductible
	Boiler and machinery any one accident, utility services	$100,000 deductible
Airport Liability	All airports	$200,000,000 each occurrence limit $1,000,000 damage to premises rented to you limit $10,000 medical expenses/any one person $50,000,000 personal & advertising injury aggregate limit $200,000,000 products completed operations aggregate limit $200,000,000 Hangar keepers lime/each aircraft limit/each limit loss $50,000 deductible per occurrence/aggregate
Excess Flood (Groton only)	7 policies related to Flood Insurance for Groton New London Airport	$1,250,000 per occurrence deductible: $500,00 real property per building $500,000 personal property - per building $250,000 time element - per occurrence
General Liability - Co-Gen		$1,000,000 each occurrence limit $100,000 fire damage limit $10,000 medical expense limit (any one person) $50,000,000 person & advertising injury aggregate limit $2,000,000 General aggregate limit $2,000,000 products/complete operations aggregate limit
	Excess - Co-Gen	$20,000,000 limit per occurrence/other aggregate/products completed

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Ms. Mary Ellen S. Jones, Chair
Connecticut Airport Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Connecticut Airport Authority (the Authority) (a component unit of the State of Connecticut), which comprise the balance sheet as of June 30, 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 27, 2014

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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on the Passenger Facility Charge Program and on Internal Control over Compliance

Ms. Mary Ellen S. Jones, Chair
Connecticut Airport Authority

Report on Compliance

We have audited the compliance of Connecticut Airport Authority (the Authority) (a component unit of the State of Connecticut) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

Auditors' Responsibility

Our responsibility is to express an opinion on the Authority's compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
October 27, 2014